

Budget Brief – DAS Division of Finance - Mandated

NUMBER CFGO-08-10

SUMMARY

Each year the Legislature funds items that impact several agencies, solve problems that don't apply to any specific agency, or that pose a conflict of interest to agency management. For these programs, the Legislature directs the Division of Finance to administer payment as intended for each appropriation. In the past, the Legislature funded Y2K, critical land issues, and inmate issues by placing the funds in dedicated accounts managed by the Division of Finance.

The Division of Finance manages expenditures as provided in appropriations acts for each program, but is not empowered to make policy decisions regarding funding in the mandated sections.

This line item currently has three programs with an ongoing budget – the LeRay McAllister Critical Land Conservation Fund, Development Zone Partial Rebates, and Land Exchange Distribution.

ISSUES AND RECOMMENDATIONS

LeRay McAllister Fund

The LeRay McAllister Land Conservation Fund provides funds for non-profits, local governments, and state agencies to preserve open space and agricultural lands. The Fund is overseen by the Quality Growth Commission and went from a base appropriation of \$2,750,000 to \$482,600 during budget cuts. Since then the Legislature has opted to appropriate one-time funds:

- \$300,000 in the 2004 General Session
- \$3,000,000 in the 2005 General Session
- \$1,000,000 in the 2006 General Session
- \$2,000,000 in the 2007 General Session

State funds have been matched by other grants at a 6 to 1 state funded ratio (see data below under "Accountability Detail"). These additional matching funds do not appear in the state budget but are part of the Quality Growth Commission's grant process.

Development Zone Partial Rebates

The Division of Finance is required by statute to make partial rebates from the Economic Incentive Restricted Account to certain industries which bring in new state revenues. Statute requires the account be used for any individual or company that enters into an agreement with the Governor's Office of Economic Development (GOED) and has generated verifiable new state revenues.

The Economic Development and Revenue Appropriations Subcommittee determines the amount to fund, and then appropriates money from the General Fund into the Economic Incentive Restricted Account. At that point the Capital Facilities and Administrative Services Appropriations Subcommittee appropriates from the restricted

Figure 1: Administrative Services - Finance - Mandated - Budget History

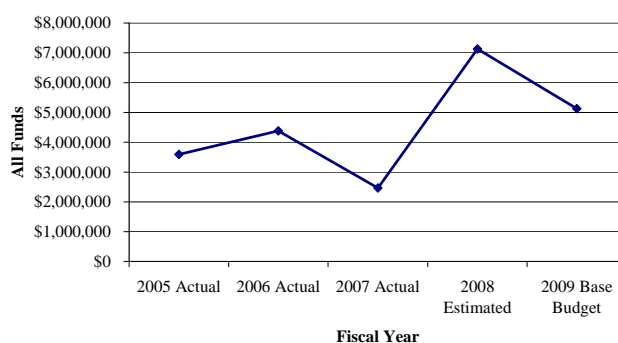
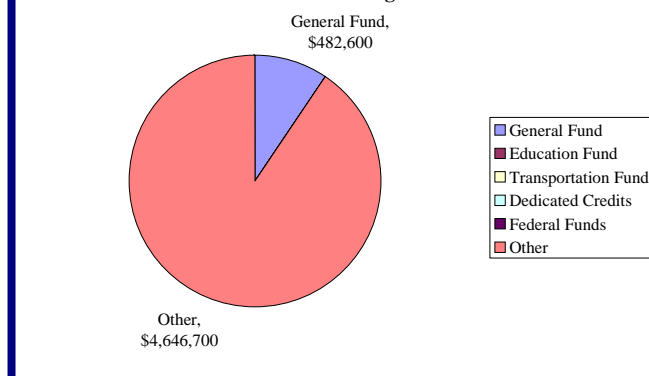


Figure 3: Administrative Services - Finance - Mandated - FY 2009 Funding Mix



account. The Analyst recommends appropriating the base budget of \$1,528,000 in FY 2009 then waiting for the Economic Development and Revenue Appropriations Subcommittee to decide what funds should be added to or taken from the base.

Land Exchange Distribution Account

House Bill 134 *School and Institutional Trust Lands Amendments* (2007 G.S.) created the Land Exchange Distribution Account to be administered by the Division of Finance. The account was created to collect the state's portion of Mineral Lease funds and distribute them to the counties in amounts determined by statutory formula. The funds are to be used by the counties to mitigate the impact caused by mineral development. By statute all money collected from mineral interests is deposited into the Land Exchange Distribution Account. However, in order for Finance to transfer money to the counties, the Legislature must appropriate funds from the Account. The FY 2009 base budget for this program is \$3,118,700, the same amount appropriated in FY 2008, which was based on previous revenue estimates for the account. Current revenue estimates, however, show a significant increase in mineral lease collections. The Analyst therefore recommends appropriating a supplemental \$15,641,300 in FY 2008 and a FY 2009 building block of \$11,281,300.

ACCOUNTABILITY DETAIL

Use of LeRay McAllister Funds since FY 1999

Since FY 1999 the Quality Growth Commission has authorized 69 projects totaling \$17.0 million in McAllister Fund grants. Partners in open space preservation have contributed \$6.02 for every dollar of McAllister Fund grants.

	<u>CY 99-03</u>	<u>CY 04</u>	<u>CY 05</u>	<u>CY 06</u>	<u>CY 07 Award</u>	<u>Total</u>
Projects	34	6	11	8	10	69
Acreage	31,712.5	571.0	21,585.5	16,567.0	4,762.0	75,197.9
McAllister Grant	\$8,727,308	\$643,000	\$3,162,500	\$1,860,000	\$2,600,000	\$16,992,808
Federal Match	16,180,300	1,015,329	6,473,000	6,751,000	2,255,000	32,674,629
Other State Match	233,500	110,000	213,000	909,000	4,791,052	6,256,552
Private Match	7,666,014	172,000	6,868,130	9,730,816	4,933,567	29,370,527
Local Gov't Match	2,812,779	175,000	11,588,500	1,250,000	751,875	16,578,154
Landowner Donation	11,444,815	380,165	0	3,990,000	1,676,000	17,490,980
Total Match	\$38,337,408	\$1,852,494	\$25,142,630	\$22,630,816	\$14,407,494	\$102,370,842
Total	\$47,064,716	\$2,495,494	\$28,305,130	\$24,490,816	\$17,007,494	\$119,363,650
Match/Grant	4.39 to 1	2.88 to 1	7.95 to 1	12.17 to 1	5.54 to 1	6.02 to 1

BUDGET DETAIL

Ongoing General Funds in this line item's FY 2009 base budget include \$482,600 in the LeRay McAllister Critical Land Fund, \$3,118,700 in the Land Exchange Distribution Account, and \$1,528,000 in the Development Zone Partial Rebates program.

LEGISLATIVE ACTION

The Analyst recommends the Legislature consider adopting:

1. A total FY 2009 base appropriation of \$5,129,300 for the Division of Finance – Mandated line item.
2. A supplemental appropriation in FY 2008 of \$15,641,300 and an ongoing appropriation of \$11,281,300 in FY 2009 for the Land Exchange Distribution Account.
3. An appropriation adjustment from the Economic Incentive Restricted Account as determined by the Economic Development and Revenue Appropriations Subcommittee.

BUDGET DETAIL TABLE

Administrative Services - Finance - Mandated						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
General Fund	532,600	482,600	0	482,600	0	482,600
General Fund, One-time	1,000,000	2,000,000	0	2,000,000	(2,000,000)	0
GFR - Economic Incentive Restricted Acc	1,528,000	1,528,000	0	1,528,000	0	1,528,000
GFR - Land Exchange Distribution Accou	0	3,118,700	0	3,118,700	0	3,118,700
Beginning Nonlapsing	128,500	0	178,000	178,000	(178,000)	0
Closing Nonlapsing	(178,500)	0	0	0	0	0
Lapsing Balance	(543,100)	0	(178,000)	(178,000)	178,000	0
Total	\$2,467,500	\$7,129,300	\$0	\$7,129,300	(\$2,000,000)	\$5,129,300
Programs						
LeRay McAllister Critical Land Conserva	1,482,600	2,482,600	0	2,482,600	(2,000,000)	482,600
Development Zone Partial Rebates	984,900	1,528,000	0	1,528,000	0	1,528,000
Land Exchange Distribution	0	3,118,700	0	3,118,700	0	3,118,700
Total	\$2,467,500	\$7,129,300	\$0	\$7,129,300	(\$2,000,000)	\$5,129,300
Categories of Expenditure						
Other Charges/Pass Thru	2,467,500	7,129,300	0	7,129,300	(2,000,000)	5,129,300
Total	\$2,467,500	\$7,129,300	\$0	\$7,129,300	(\$2,000,000)	\$5,129,300

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.